WORKFIRST REEXAMINATION WORKGROUP

AN EXAMINATION OF WASHINGTON'S WELFARE-TO-WORK PROGRAM

OCTOBER 2005

REPORT OF THE WORKFIRST REEXAMINATION WORKGROUP

AS SUBMITTED TO THE PROJECT SPONSORS

PROJECT SPONSORS

Governor Christine O. Gregoire

WorkFirst SubCabinet

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Earl Hale, Executive Director, State Board for Community and Technical Colleges (SBCTC)
Karen Lee, Commissioner, Employment Security Department (ESD)
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LETTER FROM THE CHAIR

October 14, 2005

The Honorable Christine O. Gregoire
Governor, State of Washington

Ms. Robin Arnold-Williams
Secretary, Department of Social and Health Services

Mr. Earl Hale
Executive Director, State Board for Community and Technical Colleges

Ms. Karen Lee
Commissioner, Employment Security Department

Mr. Victor Moore
Director, Office of Financial Management

Ms. Juli Wilkerson
Director, Department of Community, Trade, and Economic Development

Dear Governor Gregoire and members of the WorkFirst SubCabinet:

I am writing to provide the WorkFirst Reexamination Project Workgroup's recommendations. Your charge to us was to find ways to improve the WorkFirst program while securing the $85 million in savings necessary to balance the WorkFirst budget.

WorkFirst remains a crucial program in helping low-income Washingtonians increase their self-sufficiency toward the goal of getting out and staying out of poverty. This report meets your charge and includes multiple ways the program can be strengthened, such as sharpening and speeding the initial assessment process to identify positive outcomes for clients earlier, and better connecting them with the jobs or training they need.

This report also identifies significant savings that can be secured through better coordination and management by the four participating state agencies and through oversight by the Office of Financial Management. Since the impact of these savings does not reach the initial target of $85 million, we included some recommendations that we are still hopeful can be prevented if additional funds become available. These include our recommendations to lower the eligibility threshold for child care subsidies and reduce DSHS support service contracts for non-profits.

We are eager to further discuss the contents of this report, and to work with you to improve the program and make it financially stable.

Sincerely,

David S. Harrison
Chair, Reexamination Project Workgroup

TABLE OF CONTENTS

Executive Summary 4

Recommendations 6

Background 9

Methodology 9

Recommendation Process 10

Budget Problem 10

Proposed 2006-2007 Workgroup Budget Recommendation 11

Priority Focus Area Summaries 11

I. Renew Commitment to Client Success and Self-Sufficiency 12
   - Accountability and Performance Management 12
   - Local Area Planning 13
   - WorkFirst Assessment 14
   - Job Search 15
   - Unemployment Insurance 16
   - Education and Training 16
   - Returns to TANF 17
   - Sanctions and Time Limits 18
   - Child-Only Cases 23
   - Diversion Cash Assistance 26
   - Child Support 27
   - Food Stamp Employment and Training 29
   - Enhance Revenues 29

II. Move the Lowest Income Parents Toward Economic Independence 30
   - Working Connections Child Care 30

III. Streamline Administrative Processes 33
   - WorkFirst Staffing – DSHS and ESD 33

IV. Prioritize Contracted Services 35
   - Community Jobs 35

Minority Report 37

Appendices 42

- Appendix A – Washington State WorkFirst Principles 43
- Appendix B – Union-Sponsored Focus Group 44
- Appendix C – Summary of Public Comments 46

References 49

Executive Summary

A multidisciplinary workgroup was charged by Governor Gregoire to find ways to improve the state's welfare-to-work system and to operate the program within current authorized funding levels. The workgroup made recommendations that will improve policies, operations and services to help WorkFirst clients achieve self-sufficiency more quickly, while keeping WorkFirst costs within its budget during the next two fiscal years.

WorkFirst is Washington State's implementation of the Temporary Assistance for Needy Families (TANF) program, which began in August 1997. This program replaced the previous welfare program, Aid to Families with Dependent Children (AFDC). WorkFirst, which requires parents to participate in work-related activities, has moved hundreds of thousands of low-income Washington families toward economic independence. When funds were available, additional services to low-income families were added to reduce poverty and keep parents working. However, the program's federal funding level has not changed since 1997 and state funds have been removed from the program and used for other purposes. The more than $1.6 billion biennial WorkFirst budget, which is a combination of federal and state dollars, must reduce costs by about $85 million, or about five percent in the current biennium.

The attached recommendations of the WorkFirst Reexamination Workgroup represent the first full-scale review of the program since its inception in 1997. These recommendations seek a program that is sharper in its operation, taking better advantage of best practices developed since its inception. Under these recommendations, WorkFirst parents will benefit both from clearer identification of their needs and a more complete range of immediate tools designed to help them get out and stay out of poverty. These changes will benefit parents who are eligible for TANF cash payments, as well as other parents with low family incomes.

FEDERAL TANF GOALS AS ARTICULATED IN P.L. 104-193

1. To provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives
2. To end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage
3. To prevent and reduce the incidence of out-of-wedlock pregnancies
4. To encourage the formation and maintenance of two-parent families

The WorkFirst Reexamination Workgroup met six times during the summer of 2005 to identify priority questions, review evidence, and make recommendations to achieve a Temporary Assistance for Needy Families (TANF) program that is financially sustainable within TANF "box" funding. The workgroup examined a significant amount of data and received comments from the public and stakeholders in person and on its Web site. Through this process, the group identified opportunities for improvements in service delivery, operational accountability and future revenue enhancements. The workgroup focused on programmatic changes that improved the ability of TANF participants to achieve self-sufficiency sooner. The work-group did not consider what changes would be made to the program if it had no resource constraints. These recommendations provide a framework for continuous program improvement through enhanced account-ability and performance management.

Key among the proposed program changes is a revamped assessment process which will result in a stronger inter-agency partnership to link clients earlier to appropriate support services and to strengthened job search strategies and expanded training opportunities.

Decision Framework

The workgroup used a modified Priorities of Government decision-making framework and categorized potential recommendations into four major focus areas. In each of these areas, the workgroup sought to achieve savings that would protect basic services to parents and strengthen the program's overall operations:

Major Focus Areas

I. Renew commitment to client success and self-sufficiency by establishing clear personal and program accountability and implementing system improvements.

II. Focus TANF "box" expenditures on moving lowest income residents toward economic independence.

III. Streamline administrative processes to more efficiently handle caseload and reduce administrative costs.

IV. Prioritize contracted services that support the principles of the TANF program, giving the highest priority to basic services and programs.

An initial estimate of the range of potential savings that might be achieved through program improvements and policy and practice recommendations was established for each of the four areas. The workgroup's goal was to present strategies that, when fully implemented, would result in savings that met or exceeded the $85 million target. This report assumes that implementation would be for an entire year since data regarding the impact of a phased-in implementation on savings was not available to the workgroup.

The OFM WorkFirst Performance Team and the partner agencies will continue to develop specific cost estimates for the items recommended by the workgroup. Some of these estimates will be refined as OFM and its partner agencies develop specific implementation plans.

The workgroup recommends that the Governor and SubCabinet retain the ability to move resources within the TANF "box" in order to achieve the necessary savings. In the past, this flexibility allowed funding for child care and training for low-income families, as well as those receiving TANF grants. Continuing this flexibility will allow expenditure adjustments between departments and services to meet client needs and achieve required performance.

The WorkFirst program has not remained consistent statewide in its aim of moving Washington families to economic independence. Some offices and areas have outperformed others. Some program elements have been more successful than others.

The workgroup stressed that the consistent application of practice and a more systematic method for identifying and replicating "best practices" in each of the programs and services is necessary for an effective and equitable program.

The following priority focus areas represent a necessary adjustment of WorkFirst's design and delivery to enable it to better serve Washington State's lower income population.

WORKGROUP RECOMMENDATIONS

I. Renew commitment to client success and self-sufficiency

(Estimated savings $15 million to $20 million per year as more than 3,000 families would not need assistance per year)

1. Enhance performance management and accountability by all partners.
   a) Reaffirm the Office of Financial Management's (OFM) role in monitoring partner performance.
   b) Use the Government Management, Accountability, and Performance (GMAP) process for the WorkFirst program, with monthly monitoring of outcome measures (by SubCabinet 2) and quarterly reporting to the SubCabinet. Establish new program-wide performance measures that are consistent among all partners, and focus on the ability of the program to transition parents to employment.
   c) Improve communication and collaboration at the local level between partners.
   d) Improve performance by increasing the consistency of policy and its application in local offices and across the state.
   e) Develop and implement regional and local office accountability. Ensure that targets are not used to the detriment of successful client outcomes.
2. Use local planning areas to identify and consistently apply local "best practices" that lead to self-sufficiency. Coordinate with Workforce Development Councils when developing Local Planning Area (LPA) plans and in delivering services.
3. Re-engineer the assessment process; evaluate the effectiveness of assessments and align partner roles to get WorkFirst parents the services they need and begin moving toward self sufficiency. Establish a consistent statewide model for each of the partners.
4. Expedite referrals to job preparation and job search. Increase the proportion of clients engaged in active participation. Continue integration of WorkSource and WorkFirst to enhance client success by giving them access to a more complete range of services.
5. Improve consistency in having WorkFirst applicants access Unemployment Insurance when they are eligible.
6. Expand educational opportunities by providing training for up to one year for a limited number of clients whose assessment indicates this service will result in better outcomes. Monitor the impact of this expanded training on the overall caseload.
7. Explore reasons for clients returning to WorkFirst and develop strategies to reduce the number of returners.
8. Strengthen time limit and sanction policies to stimulate client participation toward self-sufficiency.
   a) Implement a full-family sanction after six months of non-participation. Conduct a child welfare review prior to issuing a full-family sanction to make certain the welfare of the child or children is protected. Continue to strengthen sanction review processes. (See minority report, page 37.)

b) Establish mechanisms to consistently apply sanctions and exemptions, including conducting case reviews for clients approaching 60 months and prior to discontinuing benefits. Examine issues of disproportionality in applying sanctions and exemptions.

c) Implement periodic reviews of cases, including those who go beyond five years.

d) Toughen policies and practices relating to time limits. Reexamine the use of exemptions and limit participation to work-related activities after five years unless an exception is made. Identify the criteria and conditions to be considered in determining continued participation beyond five years, such as periods of major unemployment and other instances where external concerns significantly impede client progress or where barriers remain to self-sufficiency.

e) Maintain a safety net for those who are complying with all requirements but are not able to become self-sufficient beyond 60 months.

9. Examine child-only cases to identify strategies for future program or policy changes needed to allow children to remain in the homes of relatives.

10. Improve the effectiveness of diversion assistance, expanding its use when appropriate. Increase knowledge about the reasons families successfully use diversion to prevent a need for ongoing WorkFirst grant funding and improve recovery tools.

11. Increase child support income and consistency of payments for families whose income levels would otherwise put them at risk of not being self-sufficient.

    a) Develop strategies for more effectively addressing non-custodial parents who are not currently making payments.

    b) Apply successful practices consistently statewide.

    c) Work with county prosecuting attorneys and local courts to improve child support participation rates and develop strategies to manage child support payment arrears. Explore strategies that emphasize the regularity of child support payments while recognizing other legal obligations that parents may have.

    d) Recommend that the Legislature review the child support schedule workgroup recommendations.

    e) Evaluate obtaining a child support pass-through waiver, in part to increase the regularity of payments, a key component of self-sufficiency. (Note: This recommendation would have a net cost to the state.)

12. Continue to pursue the use of Food Stamp Employment and Training federal dollars to help offset educational costs for non-TANF individuals currently provided with TANF dollars.

II. Move lowest income parents toward economic independence

(Estimated savings $10 million per year)

1. Reduce eligibility for subsidized child care from 200 percent to 175 percent of the Federal Poverty Level (FPL). (See minority report, page 37.)

III. Streamline administrative processes to more efficiently handle caseload
(estimated DSHS savings $7.0 million to $9.0 million per year)

1. Reduce DSHS's TANF staffing to reflect the gain in efficiency resulting from improvements in the assessment process and quicker, more robust engagement of clients in activities that will lead to self-sufficiency.
2. Reduce managers and regional support staff.
3. Reduce administrative overhead charged to the TANF program.
4. Automate or adjust administrative procedures for vendor payments, service authorizations, and client referrals to reduce the staff time needed.
5. Consider statewide consolidation of regional document management systems for additional staff savings.

IV. Prioritize contracted services that support the principles of the TANF program
(Estimated savings $7.8 million to $9.1 million per year)

1. Modify referrals to the Community Jobs program so that only those clients least likely to succeed in attaining unsubsidized employment participate. Identify program improvements and efficiencies to reduce program costs.
2. Reduce Community and Technical College funding by enhancing efficiency, and training selected students for longer periods than the 22-week maximum normally applied, thus enabling use of Pell Grants and state community college FTE dollars. Give TANF parents priority for education and training activities subsidized by TANF funds. Identify program improvements and efficiencies to reduce program costs.
3. Maintain FY 2005 spending for child care contracts in FY 2006 and FY 2007.
4. Reduce local contracts and support services budgets.
5. Use protective payees where necessary in sanction cases, rather than requiring them in all instances.
6. Engage in discussions with tribal leaders on the growth in state spending on Tribal TANF. Review performance requirements for state maintenance of effort (MOE) funds. (Note: This issue was deferred by the workgroup.)

Total for Package: $39.8 to $48.1 million annually when fully implemented.

BACKGROUND

In 1997, Washington State eliminated the entitlement to public assistance and established the WorkFirst system. This significant policy change mirrored the new federal requirements for the Temporary Assistance for Needy Families (TANF) program. The core element of the program was to help low-income parents find work and not need public assistance. Oversight of the program was given to the Executive Branch with outcomes identified by the Legislature for reducing caseload, improving job retention, increasing earnings, and placing recipients into private sector, unsubsidized jobs.

Additional funding became available in the early years of the program due to a significant caseload reduction. Additional services were added to help poor, working families get employed and stay employed. The program reinvested its funds for both TANF parents and other low-income wage earners in expanded subsidies for child care and training. Specialized programs, such as Community Jobs, were developed to meet the needs of those least ready for employment. Performance measures to monitor the system were put into place. In addition, legislative actions transferred more than $300 million in state funds from the TANF "box" for other social welfare and general fund uses.

For a variety of reasons, funds that were available for the TANF program have become more constrained over time. For the last few fiscal years, program expenditures have exceeded revenues. Savings from previous years and one-time underexpenditures from other Department of Social and Health Services (DSHS) programs have helped fill the gap. For fiscal year 2006, resources are not sufficient to continue the current programs at their present level.

In June 2005, the WorkFirst SubCabinet, made up of five agency directors, proposed to Governor Gregoire that a workgroup be established to reexamine the current welfare program. The workgroup convened late in June and met through September. The workgroup's task was to develop specific recommendations to improve the program and to make it more financially sustainable.

The workgroup, chaired by David S. Harrison, senior lecturer at the University of Washington, identified key principles to guide the group:

- Seek recommendations that are likely to advance program goals.
- Minimize the impact on children.
- Identify areas where savings are not speculative, but can clearly be realized.
- Make certain recommendations are administratively and politically feasible.

METHODOLOGY

The workgroup identified specific guidelines for approaching their task and completing their work in a timely manner:

- Focus on strategies that are proven to work and maximize the impact of the dollars available for TANF clients.
- Refer promising ideas and strategies that do not fit in the scope of this review to the WorkFirst SubCabinet and the Governor for future consideration.
- Maintain consistency between TANF program goals, policies and actions.
- Make recommendations that conform to federal requirements and are consistent with federal legislative goals, but which also advance the state's goals.

- Make recommendations based on actual cost reductions rather than cost shifts.

The workgroup reviewed evidence from Washington State as well as other states about the results of welfare strategies and activities. In the short time in which the group had to conduct its work, it examined current services, activities, expenditures, client requirements, performance, and program governance to identify more cost-effective alternatives, including increasing the coordination among agencies and programs within the TANF "box." The workgroup developed a set of recommendations based on the premise that resources are limited and no additional funding would be available to support the TANF box.

RECOMMENDATION PROCESS

The workgroup attempted to achieve full consensus. Consensus was achieved in most areas, particularly those that did not result in reductions in services. A minority report is included at the end of this report (page 37). The workgroup deferred examining and making recommendations regarding the growing Tribal TANF costs, recognizing these discussions must be made in a government-to-government setting and should recognize the broader context of other human service programs participated in by the State and individual tribes.

BUDGET PROBLEM

The WorkFirst 2005-2007 biennial budget assumes approximately $1.6 billion in revenues to cover an estimated $1.7 billion in expenditures. The $1.6 billion in revenues is a combination of federal and state dollars. The goal of the workgroup was to identify spending reductions of approximately $85 million, or five percent, over the next two years. The program's federal funding has not changed since 1997 and state funds have been removed from the program by the Legislature and used for other purposes. The workgroup's objective was to accomplish the goal of balancing the budget in ways that would sharpen the focus of WorkFirst's mission to help the state's 57,000 welfare families take steps toward getting out and staying out of poverty.

The WorkFirst program, as it is currently designed, is not financially sustainable. The following table provides an overview of projected funding for the fiscal years 2006 and 2007 by major focus area and activity or program and the workgroup's recommendations regarding reductions in spending. The figures provided in this table reflect a $20 million reduction already taken this biennium by the Employment Security Department for job search activities.

Workgroup's Proposed 2006–2007 Budget Recommendation

Item	Preliminary FY 2006	Preliminary FY 2007	Workgroup Savings Per Year	% Change FY 2006
I. Renew commitment to client success and self-sufficiency				
TANF Grants*	$ 283,500,000	$ 284,900,000	$ (15,000,000)	-5.3%
DSHS Diversion Assistance	$ 8,500,000	$ 9,500,000	0	0.0%
OFM WorkFirst Contract	$ 508,000	$ 508,000	0	0.0%
II. Focus TANF box expenditures on lowest income residents				
Child Care Subsidies*	$ 249,800,000	$ 251,900,000	$ (10,300,000)	-4.1%
III. Streamline administrative processes				
DSHS Financial and Social Support Services	$ 87,000,000	$ 87,000,000	$ (5,500,000)	-6.3%
DSHS Overhead (included above)	$ 15,000,000	$ 15,000,000	$ (1,500,000)	-10.0%
ESD Job Placement Services	$ 18,057,421	$ 18,057,421	0	0. 0%
IV. Prioritize contracted services				
Child Care Contracts	$ 24,268,855	$ 24,268,855	$ (700,000)	-2.9%
DSHS Client Services and Support	$ 14,577,884	$ 14,577,884	$ (3,600,000)	-24.7%
ESD Support Services	$ 3,909,790	$ 3,909,790	0	0.0%
SBCTC Contract	$ 23,891,600	$ 23,891,600	$ (1,700,000)	-7.1%
CTED Community Jobs and Other Small Projects Contract	$ 14,906,000	$ 14,906,000	$ (1,800,000)	-12.1%
Tribal TANF Programs	$ 38,200,000	$ 40,047,000	0	0.0%
No Category				
Additional Benefits (grants for specifically identified needs)	$ 6,000,000	$ 6,000,000	0	0.0%
DSHS Other (Children's Admin)	$ 38,028,000	$ 38,028,000	0	0.0%
TOTAL TANF BOX EXPENDITURES	$ 826,147,550	$ 832,494,550	$ (40,100,000)	-4.9%
Current Revenue Estimates	$ 779,950,754	$ 779,950,754		
Difference	$ (46,196,796)	$ (52,543,796)		
**Minority opinions*				

PRIORITY FOCUS AREA SUMMARIES

The workgroup examined several focus areas to identify opportunities for program improvements, efficiencies, and savings. Staff from the OFM, DSHS, DCTED, ESD, and the SBCTC worked collaboratively to provide the data and analysis, enabling the workgroup to make its recommendations on the best evidence available.

Additional data were collected through testimony provided by advocates, providers and interested parties. Two websites collected comments regarding the WorkFirst program and the Reexamination Project. Comments from these are summarized in Appendix C. In addition, the Washington Federation of State Employees convened a focus group of represented employees to provide recommendations for system improvements and efficiencies, which are identified in Appendix B.

Focus Area I
Renew Commitment to Client Success and Self-Sufficiency

Workgroup Recommendation #1:
Enhance accountability and performance management

The workgroup found that accountability by each of the partners should be strengthened and identified the important role that leadership plays in achieving outcomes. Specific strategies included:

1. Reaffirm the Office of Financial Management's (OFM) role in monitoring partner performance.
2. Use the Government Management, Accountability, and Performance (GMAP) process for the WorkFirst program, with monthly monitoring of outcome measures (SubCabinet 2) and quarterly reporting to the SubCabinet. Establish new program-wide performance measures that are consistent among all partners, and focus on the ability of the program to transition parents to employment.
3. Improve partner communication and collaboration at the local level.
4. Improve performance by increasing the consistency of policy and its application in local offices and across the state.
5. Develop and implement regional and local office accountability. Ensure that targets are not used as quotas to the detriment of successful client outcomes.

BACKGROUND

Washington State has a unique governance structure for its welfare program. Federal and state laws governing welfare reform specify few requirements and major decisions are driven by rule and funding allocations. In 1997, when the original state welfare reform legislation was enacted, an agreement was reached between the Governor and legislative leadership that allowed the Governor to allocate the budget for welfare reform in ways that would best accomplish the purposes of the new law. The agreement created what is known as the TANF (Temporary Assistance for Needy Families) "box." The box concept was consistent with the approach used by the federal government, which essentially allowed states to have greater autonomy in delivering the program while capping the funding.

The TANF box has contained the costs of the program and has given the Governor considerable discretion in making policy changes without the explicit approval of the Legislature. As an example, hundreds of millions of dollars in caseload savings were used to create subsidies to help working parents pay for child care without requesting legislative authorization. This investment was based in part on the effectiveness of the program, evidenced by the initial dramatic decline in caseload. In addition, the Legislature has shifted some funds from the TANF box and has shifted related expenditures from the state General Fund to the TANF box (such as $38 million annually in child welfare expenditures). The Legislature has expected that the Governor would continue to manage the costs of the program and operate within financial limits.

WorkFirst is overseen by a SubCabinet made up of the directors of the key agencies involved in the delivery of services. The directors represent the Department of Social and Health Services (DSHS), Employment Security Department (ESD), the Department of Community, Trade and Economic Development (DCTED) and the State Board for Community and Technical Colleges (SBCTC). The SubCabinet is chaired by the director of the Office of Financial Management and makes recommendations to the Governor on major policy and budget issues.

A working group of Deputy/Assistant Directors from the four agencies and the Office of Financial Management (SubCabinet 2) meets regularly to consider policy and budget questions as well as operational issues that cross agency lines. SubCabinet 2 makes decisions on routine policy matters and makes recommendations to the SubCabinet. The head of the WorkFirst Performance Team within OFM chairs this group. In addition, operational workgroups meet for specific topic areas or projects.

Performance measures have been developed and are used to monitor the success of the program. These measures focus primarily on client participation and employment, but do not encompass all outcomes, notably for the child-only population. The cross-agency process established to review measures is consistent with Government Management, Accountability, and Performance (GMAP) conceptually, but lacks the level of follow-through on performance issues required by GMAP.

The workgroup identified several characteristics of the governance and accountability structure:

- The SubCabinet/cross agency approach aligns with Governor Gregoire's approach to manage issues holistically across agencies.
- The current governance structure supports the oversight of accountability and performance, but can be improved by incorporating a GMAP process.
- Performance measures should be modified to align with changes in the program.
- Performance measures can be improved to create rigorous, ongoing improvement in program performance, both within and outside the GMAP process. Outcome measurement must focus on the impact of the program on employment and self-sufficiency and should be consistent among the partners.
- Efforts should be taken to evaluate the effectiveness of any changes implemented as part of the system design.

Workgroup Recommendation #2:
Continue Local Area Planning

Use Local Planning Areas to identify and consistently apply best practices that lead to self-sufficiency. Coordinate with Workforce Development Councils when developing Local Planning Area plans and in delivering services.

BACKGROUND

Local Area Planning (initially called regional planning) is legislatively mandated, and was part of the original WorkFirst legislation in 1997. It was designed to empower local social services leaders from DSHS, ESD, the community and technical colleges, and Community Jobs contractors, as well as other local organizations, to adapt the statewide program locally to achieve maximum effect for the WorkFirst families they serve in their community.

Membership in each of the 32 Local Planning Areas (LPAs) is determined locally and is made up of representatives from local and state agencies, community and technical colleges, nonprofit organizations, tribes, contractors and other community partners (such as housing authorities, economic development councils, workforce development councils and K-12 school districts) that serve WorkFirst parents. In addition, the geographical configuration of the LPA is determined locally. Pierce County, for example, is currently one Local Planning Area, but King County is segmented into six LPAs.

State statute requires each Local Planning Area to prepare an annual plan describing WorkFirst strategies for the coming year. The plans direct partnership efforts to meet the needs of local WorkFirst families and WorkFirst performance measures. The plans are flexible and are updated throughout the year to reflect the changing needs of the program and the families served. LPAs meet regularly throughout the year to review their plans and performance data, discuss program issues, develop strategies to improve outcomes, share best practices, and problem-solve issues.

Workgroup Recommendation #3: Re-engineer the assessment process

Re-engineer the assessment process; evaluate the effectiveness of assessments and align partner roles to get WorkFirst parents the services they need to begin moving toward self-sufficiency. Establish a consistent model for each of the partners.

BACKGROUND

Each WorkFirst partner agency currently provides an evaluation or assessment for the parents they serve. While these assessments are typically used for different purposes, the workgroup identified issues related to the timeliness of assessments, potential duplication of effort, and inconsistent application of assessment tools. Following is a brief description of the components of current assessments.

Department of Social and Health Services
A full screening is completed during the initial application process. In addition, a full or partial evaluation is required after job search or any other activity ends, when sanctioning, and when a parent is not progressing. Screening covers all the topics needed to determine readiness for job search or exemption from work requirements. It helps in the development of appropriate Individual Responsibility Plan (IRP) activities that will move the participant into employment. When indicated, DSHS social workers complete an additional assessment that is more comprehensive, in-depth, and issue-specific.

Employment Security Department
The WorkFirst Work Skills Assessment is intended to determine the best activities each parent should engage in to enhance their employability and move toward employment. The Workforce Explorer and Choices CT are the primary tools used. Both are electronic assessment tools that provide results that are easily combined with labor market information. In 2003 the Legislature mandated that ESD assess job search participants. The work skills assessment is an essential component of the service determination process now used in WorkSource sites to ensure that WorkFirst parents receive the appropriate level of service.

Community and Technical Colleges (CTC)
For WorkFirst training participants, the Employability Competency System is a standardized assessment process used to assess occupational and job skill training needs. The colleges also use the CASAS test for Adult Basic Education. In addition, individual schools and programs use a variety of interest and skills inventories that may be geared for a specific Customized Job Skills Training (CJST) or a certain field of employment.

CTED / Community Jobs (CJ)

The Community Jobs Assessment covers a wide range of issues that assist in the creation of a parent's Individual Development Plan and is completed within the first seven days of enrollment into CJ.

RESEARCH

Research on the assessment process has been largely qualitative. OFM has completed a number of reviews of community services offices (CSOs) and ESD WorkFirst program activities over the last seven years. As part of these reviews, CSO screening/evaluation and ESD work skills assessment were examined. While there is some evidence that there has been progress in how effectively these agencies conduct evaluations and assessments, the reviews have identified a wide variation in the quality of the screening/evaluation and work skills assessment process between sites and by individual workers.

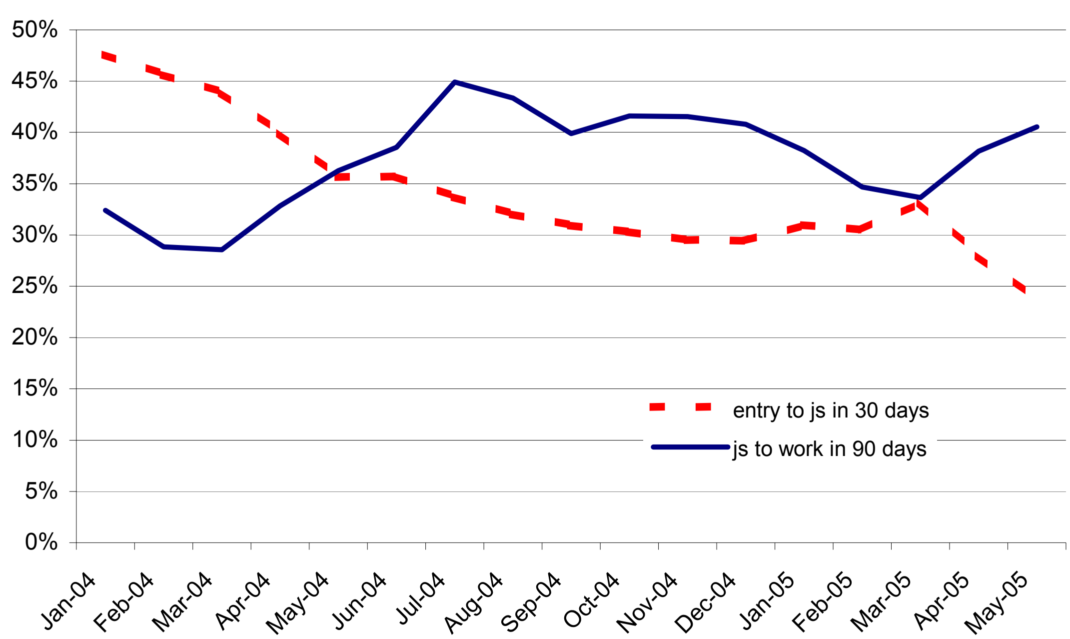
Workgroup Recommendation #4: Expedite referrals to job search and increase active participation

Expedite referrals to job preparation and job search. Increase the proportion of clients engaged in active participation. Continue integration of WorkSource and WorkFirst to enhance client success by giving them a more complete range of services.

BACKGROUND

The number of clients starting job search within 30 days of starting WorkFirst has declined dramatically since early 2004, while the rate at which job search clients have been going to work has risen (Figure 1).

Figure 1: TANF Entry to Job Search



What have clients been doing in lieu of going to job search?

There has been a shift from referring participants to job search to referring participants to non-job search services to resolve issues (RI). RI may be allowed for up to seven days while the participant is arranging for child care and transportation, or is dealing with other issues that can be resolved in a short period of time.

How would having more clients in job search affect placement rates and caseloads?

For FY 05, there has been a subtle but consistent relationship between the rate at which clients are referred to job search and caseload reduction. For example, (at the extremes), the Port Angeles office referred 23 percent of its entrants, on average, to job search, and their caseload rose by 10 percent, while the Shelton office referred 49 percent of its entrants, on average, to job search, and their caseload fell by 35 percent.

In addition, those offices which consistently excelled in across-the-board performance in FY05 (such as Spokane Valley, White Center, and Ellensburg) have higher rates of job search starts. Among lower performing offices, the results are mixed: Belltown and Port Angeles have low job search starts (18 percent and 23 percent), while Goldendale is at the state mean (31 percent) and King North has a high rate of job search starts (40 percent).

Historically, an entry-to-job-search rate of 45 percent seems reasonable. If clients were currently reaching job search at this rate and being placed in jobs at the current rate, an average of 252 more clients would have been placed in jobs each month in FY05.

Workgroup Recommendation #5: Improve Unemployment Insurance eligibility determination

Improve consistency in having WorkFirst applicants access Unemployment Insurance when they are eligible.

BACKGROUND

All income a parent has is considered in determining eligibility for Temporary Assistance for Needy Families (TANF), including Unemployment Insurance (UI) benefits. The TANF grant is based on the amount of income a family has from any source.

The Department of Social and Health Services (DSHS) and the Employment Security Department (ESD) have recently run a crossmatch of the current TANF adult caseload against the UI wage data to identify TANF parents who would potentially qualify for a UI claim. The crossmatch, run in August 2005, resulted in identifying a significant number of parents currently on TANF who could potentially qualify for UI benefits. Although only a portion of those identified will actually be eligible for UI, it is important to establish that employment link. Improving the link between UI eligibility and TANF applications could result in less need for TANF.

Workgroup Recommendation #6: Expand education and training opportunities

Expand educational opportunities by providing training for up to one year for a limited number of clients whose assessment indicates this service will result in better outcomes. Monitor the impact of this expanded training on the overall caseload.

BACKGROUND

The State Board for Community and Technical Colleges (SBCTC) awards block grants to 34 schools and other training providers to deliver educational and job skills training services for WorkFirst parents and other low-income adults in their communities, including customized job skills training (CJST), other basic skills and job skills training, high-wage/high demand programs, and work study.

WorkFirst students who pursue professional-technical training are primarily referred for an 8-week to 22-week Customized Job Skills Training (CJST) program. However, the skills students can acquire during that short time-frame are not always enough for them to be competitive in their local job market. Research shows that longer training results in significantly better wages and higher rates of employment. By shifting some CJSTs into longer approved professional or technical programs where students can access Pell Grants or other forms of non-loan financial aid, both students and the WorkFirst program will benefit. Colleges will maintain strict guidelines for direct links to employment and wage progression, but will connect to a broader and longer range of training options. CJSTs of 8 to 22 weeks in length will continue to be offered, as they are a more appropriate fit for the majority of students. Over time, the community college system proposes increasing the number of students in longer-term training, who would otherwise have been enrolled in CJST, by 10 to 20 percent (about 273-546 clients). In the short-term, there is a potential net cost to the TANF program for the additional time these individuals will receive TANF cash grants.

Workgroup Recommendation #7: Reduce returns to Temporary Assistance for Needy Families (TANF)

Explore reasons for clients returning to WorkFirst and develop strategies to reduce the number of "returners."

BACKGROUND

Most parents who leave TANF do not return to the caseload. Of the roughly 5,000 adults who exit the caseload each month, over 60 percent do not return to TANF within the next year. For those that do return to TANF, roughly one-third return within the first three months after exit. Of the entrants each month, about 39 percent are completely new to TANF. The rest of the entrants have been off TANF for less than one year (37 percent), or return to TANF after more than one-year's absence.

RESEARCH

It is difficult to fully answer the question "why do people return to TANF?" Many of the factors that differentiate those more or less likely to return are personal characteristics that clients bring with them to the WorkFirst program, over which policymakers and case managers have little control. According to the WorkFirst Longitudinal Study (WFLS), returners:

- Have longer histories of TANF receipt
- Have more learning disabilities
- Are more likely to be native English-speakers
- Have larger families
- Are younger
- Are in worse health (mental & physical)
- Are less likely to be white
- Have more work-limiting conditions

- Report more substance abuse
- Have less work experience
- Are less likely to have left TANF with earnings, and
- Have jobs with lower wages, fewer hours, and less paid leave.

Again according to the WFLS, among those who returned, the reasons for return were:

- Inability to find work or loss of work (39% to 51 %, varies by cohort)
- Inadequate pay (8% to 13%)
- Pregnancy or childbirth (8% to 11%)
- Sickness or disability (10% to 14%), and
- Personal problems (6% to 12%).

National survey data indicates that those who left because of non-compliance are the most likely to return. Among the other reasons given in the Urban Institute's *National Survey of American Families*, those who left because they "didn't want or need benefits" were the least likely to return (15.4%), followed by those who left for work (21%) and then those who left for other reasons, including moving and reaching time limits (23%).

The DSHS leavers study (2000) found additional reasons for returning to TANF:

- Marriage/partnership breakup (13%)
- Needed health care (6%)
- Returned to the state (6%)
- Child returned to the home (5%), and
- Loss of alimony, child support, or SSI (4%).

This plethora of explanations for returns explains, to a large extent, why the issue of returns has no simple solution—the solutions are as numerous as the complexities of clients' lives. One recurring theme seems to be the quality of employment. As might be expected, better jobs (higher pay, more hours, more benefits, and more security) correlates with more sustained exits. National research also indicates that receipt of some transitional supports lowers the return rate. In particular, clients who left TANF with child care assistance, Medicaid, or help with expenses (Washington's 'support services') were significantly less likely to return.

Workgroup Recommendation #8: Strengthen sanction and time limit policies

Strengthen sanction and time limit policies to stimulate client participation toward self-sufficiency. (See minority report, page 37.)

The workgroup recommended several strategies for increasing personal accountability for those in the TANF program. These include:

a) Implement a full-family sanction after six months of non-participation. Conduct a child welfare review prior to issuing a full-family sanction to make certain the welfare of the child or children is protected. Continue to strengthen sanction review processes.

b) Establish mechanisms to consistently apply sanctions and exemptions, including conducting case reviews for clients approaching 60 months and prior to discontinuing benefits. Examine issues of disproportionality in applying sanctions and exemptions.

c) Implement periodic reviews of cases, including those who go beyond five years.

d) Toughen policies and practices relating to time limits. Reexamine the use of exemptions and limit participation to work-related activities after five years unless an exception is made. Identify the criteria and conditions to be considered in determining continued participation beyond five years, such as periods of major unemployment and other instances where external concerns significantly impede client progress or where barriers remain to self-sufficiency.

e) Maintain the safety net for those who are complying with all requirements but are not able to become self-sufficient beyond 60 months.

SANCTIONS

BACKGROUND

Currently, the maximum sanction for non-participation in WorkFirst is a 40 percent reduction of the family's grant amount (or the non-participant's share, whichever is more), and the use of a protective payee. In June 2005, there were 5,931 clients (5,406 cases) in sanction status. Of these, 3,526 were in long-term (three months or more) sanction.

Most states do have full-family sanction policies. In 27 states the sanction is gradual, but full-family sanction is the final step,[1] in 14 states full-family sanction can be applied immediately for non-compliance, and in 9 states, including Washington, only partial sanctions can be applied. A few states have procedures for sanctioning caregivers in child-only cases, based on non-work-related requirements (proof of children's immunizations, enforcing school attendance, etc.).

RESEARCH

Numerous studies have found that sanctioned clients differ significantly from non-sanctioned clients. They:

- Have larger families and began childbearing younger
- Are more likely to lack education and work experience
- Are less likely to live with a partner
- Are more likely to be non-white
- Experience logistical barriers to work, and
- Face personal and family challenges.

In June 2005, the average sanctioned adult had been in sanction status for 5.8 months. This duration has been growing since May 2002.

Just over half of all sanctioned clients have experienced only one instance of sanction. Among those who have been in sanction more than once, the median number of sanction spells is three. The amount of time elapsed between sanction has grown over time.

Data on client activities is limited to what clients are supposed to be doing (Figure 2)—it cannot tell us what clients are choosing to do with their time in lieu of their required participation. This severely limits the degree to which questions such as "are sanctioned clients choosing to attend school?" or "are sanctioned clients staying at home with young children?" can be answered.

[1] This includes Wisconsin's 'pay for performance' model—not exactly a gradual sanctioning process, but similar in effect. Research on sanction impacts consistently includes this model as a variation on full-family sanction.

Figure 2: Component open prior to sanction*

Job search / referral back from job search	59%
No open component for over one month	15%
Barrier resolution (x-components)	9%
Working less than 32 hours	8%
Resolving a prior sanction	4%
Education or training	4%
Full-time work or post-employment	2%
Referral to contractor	2%
Community jobs	1%

*There is some duplication as some clients may have had more than one code.

In other states, clients who are sanctioned but not terminated tend to cure their sanction and return to a full-family grant. Few progress to full-family sanction.

In a study of Iowa's Limited Benefit Plan, 53 percent of clients who had their grants reduced (or faced the threat of reduction) returned to compliance within six months.

Studies in Illinois and New Jersey found even higher cure rates for partial sanctions—90 percent and 80 percent, respectively, within three months.

Findings on outcomes for sanctioned families are compromised by the fact that sanctioned leavers are usually compared to 'voluntary' leavers, who may, in fact, be leaving the caseload due to a threat of sanction. It is possible that outcome differences between sanction leavers and other leavers are primarily due to selection bias and imperfect comparison groups. Research finds that families that leave Temporary Assistance for Needy Families (TANF) due to a full-family sanction consistently have lower levels of post-TANF employment and lower earnings. Findings on whether or not they have more hardships, such as food insecurity, have been mixed. Sanctioned families are also more likely to return to TANF than those who leave for other reasons.

A study of 3,367 fully sanctioned cases in Florida found that, within the following six months, 32 percent had earnings and no TANF, 23 percent had earnings but had also returned to TANF, 22 percent had returned with no earnings, and 23 percent had no earnings and no TANF.

Two early waiver studies found that the presence of a strong, full-family sanction policy was linked to greater caseload reductions in the early years of TANF. It is not possible, however, to distinguish between the impacts of the policy itself and the impact of the presence of stricter and more clearly communicated policies in those states. Other studies that have looked at the difference in impact between full and partial sanctions have had mixed findings. Some have found full-sanctions to be effective as compliance tools; some have found all the difference in impact was the result of implementation and communication of program expectations.

Full-family sanctions can lead to grant savings if the number of cases leaving TANF due to grant reductions is greater than the number that cure their sanction and begin participation. Any calculation of savings is based on a number of variables. However, if participation increases self-sufficiency over a longer time frame, participation rates can lead to lower caseloads for those whose activities lead to employment.

RISKS OR UNINTENDED CONSEQUENCES

Defining the goal of a full-family sanction is critical to evaluating its potential effectiveness. A full-family sanction can be seen either as a tool to encourage compliance (clients threatened with sanction or put into sanction status choose to return to participation) or as a caseload-reduction tool (non-compliant clients are removed from the caseload). Any implementation of a full-family sanction would need to include a strong message to case workers to ensure that the tool is being used consistently for whichever goal it was designed.

Numerous studies have mentioned the potential for disparate application of sanctions. Criteria for sanctioning can vary across regions, offices, and workers. Training and ongoing monitoring become critically important to ensure that sanctions are applied fairly and consistently across the state.

TIME LIMITS

BACKGROUND

In June 2005, there were 4,434 TANF families in extension status, meaning they had been on TANF for more than 60 months since August 1997. These cases were in one of three categories: exempt, participating, or child safety net. Current policy is that all TANF cases with more than 60 months are extended and placed into one of the extension categories. An alternative policy would be to impose stricter time-limits: some families would not be eligible for TANF extension.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) imposed a 60-month time limit on federally funded assistance for most families. Federal welfare law gives broad flexibility to states who developed widely varying approaches to time limits.

States can impose a 60-month time limit, a shorter time limit, or no time limit. They can exempt certain categories of recipients from their time limits or can grant extensions to families who reach the limit. Such flexibility exists in large part because time limits do not apply to assistance that is paid for with state funds and because states are allowed to extend assistance for up to 20 percent of their caseload beyond the federal limit.

In Washington State, residents can receive cash assistance for TANF, State Family Assistance (SFA), and General Assistance For Pregnant Women (GA-S) for a lifetime limit of 60 months. A case manager or social worker will review the case and will use the case staffing process to determine which extension type will be approved. Case staffing is a process to bring together a team of multidisciplinary experts, including relevant professionals, to identify issues, review case history and information, and recommend solutions. This review does not currently happen until after the recipient has received at least 52 months of assistance but will occur before a parent reaches the time limit.

In Washington in June 2005, there were 4,434 TANF cases in extension:

Figure 3: Cases in Extension

Type of Case	Number	Percent
Exempt	1,742	39.3 %
Participating	1,395	31.5%
Child Safety Net	1,019	23.0%
Processing	278	6.3%

Extension cases make up 7.8 percent of the total TANF caseload and 12 percent of the adult caseload. Federal regulations allow up to 20 percent of total TANF cases in extension.

RESEARCH

All states provide exemptions or extensions from their time limits for certain groups of families, but policies differ dramatically from state to state. Child-only cases are not subject to time limits in any state.

Nearly all states allow exemptions or extensions for recipients with serious medical problems, but there are varied processes for identifying these recipients. Some critics believe that recipients who should be exempted may fall through the cracks.

The post-exit employment rates of time limit leavers vary widely across states, ranging from less than 50 percent to more than 80 percent.

National data indicate that time limits may have been responsible for a substantial proportion of the welfare caseload decline, with the strongest effects being seen for families with very young children. These declines must have been anticipatory effects, because few families had reached a time limit when the analysis was conducted.

A Minnesota study found that families terminated because of the time limit were less likely to have jobs, and more likely to experience hardships such as food insecurity, problems with housing and utilities, and unmet health care needs (Crichton, 2003).

A study of families leaving welfare in Cuyahoga County (Cleveland) found that families that left due to time limits had higher poverty rates, lower employment rates, and more housing-related hardships than families that left for other reasons (Colton, et al., 2003).

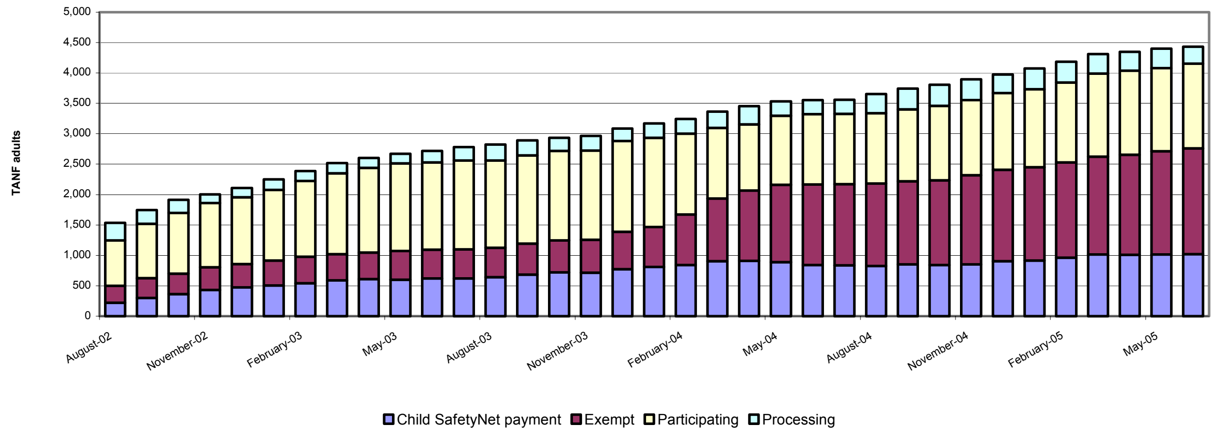
RISKS OR UNINTENDED CONSEQUENCES

A hard time limit increases parents' incentives for achieving self-sufficiency. Some field staff also believe a time limit will give them a better tool for working with clients and guiding them toward employment and self-sufficiency.

However, others believe some people may "fall through the cracks"; perhaps they have barriers (that might make them exempt) that have not been identified or may face temporary hardships. Children may also be at greater risk with loss of family income.

The following chart shows the breakdown of all clients who have been on TANF for more than 60 months.

Figure 4: Reasons for people staying on TANF beyond five years
(as of July 2005)



Workgroup Recommendation #9: Examine child-only cases

Examine child-only cases to identify strategies for future program or policy changes needed to allow children to remain in the homes of relatives.

BACKGROUND

Child-only cases are Temporary Assistance for Needy Families (TANF) cases where a grant is paid only to the children in a household, because the adults in the household are ineligible for or uninterested in receiving assistance. The child-only caseload has grown roughly five percent to six percent per year since 2002. As of June 2005, the child-only caseload was 21,594, or 38 percent of all cases.

Child-only cases fall into two broad categories:

1. Parent is present in the household and meets TANF income and resource eligibility requirements, but parent is not eligible for cash assistance, or
2. Biological parent is absent, and child lives with relative or guardian. These are caregivers who have no legal obligation to care for the child(ren). In these cases, only the child's own income and resources are considered in the TANF eligibility calculation.

The following table provides characteristics regarding the two main categories of child-only cases in March 2005.

Figure 5: Child-only categories

	Parental caregiver			Non-parental caregiver	
	Parent is an unqualified immigrant	Parent receives SSI	Parent is otherwise disqualified	Child with legal guardian or "in loco parentis"	Child in relative care
Number of cases	5,729	5,092	1,108	898	9,203
Percent of child only cases	26 %	23%	5%	4%	42%
Percent of total caseload	10%	9%	2%	2%	16%
Change from March 04 to March 05	307	- 41	139	116	510
Percent growth	6%	- 1%	14%	15%	6%

The average grant amount for a child-only case is $388 compared to the average of cases with adults ($457).

Caregivers in non-parental child-only cases generally have a range of options as to their legal and financial relationship with the child(ren):

Adoption: The caregiver is not eligible for foster care, adoption support, or TANF grants.

Permanent legal custody: The caregiver is eligible for a TANF grant, but not foster care payments.

Dependency Guardianship: The caregiver is eligible for either a TANF grant or a higher foster care payment, if they choose to pursue becoming licensed as a foster parent and meet (and maintain) the licensing requirements.

Superior Court Guardianship: The caregiver is eligible for a TANF grant, not foster care payments.

Long-term written agreement: The caregiver is eligible for either a TANF grant or a higher foster care payment, if they choose to pursue becoming licensed as a foster parent and meet the licensing requirements.

Informal custody: With no legal arrangement between the caregiver and the parent, the caregiver is eligible for a TANF grant, but not foster care payments.

RESEARCH

Research sheds some light on the circumstances of these non-parental families:

Food stamps are received by 25 percent to 30 percent of these households, and thus have household incomes below 130 percent of the federal poverty threshold, or $25,155 for a family of four.[2]

[2] This probably significantly understates the number of child-only households that qualify for food stamps. In the general population, 51 percent of families eligible for food stamps receive them. Therefore it is reasonable, for the general population, to double the percentage receiving food stamps to estimate the percentage eligible. However, probably a greater share of the child-only households eligible for food

A survey of 1,724 child-only caregivers, undertaken by the Washington State Institute for Public Policy in 2002, found that income levels were:

- 40 percent under $20,000 per year
- 35 percent between $20,000 - $39,999 per year
- 16 percent between $40,000 - $59,999 per year, and
- 9 percent over $60,000 per year.

Other states have researched the means of these caregivers as well. While some of the findings conflict,[3] these findings can be used as guidelines to estimate the income distribution of Washington's non-parental caregivers:

- According to Urban Institute studies, 61 percent of children in kinship care had family incomes under 200 percent of FPL and 40 percent have incomes below 100 percent of the FPL.
- In New Jersey, 70 percent had incomes below 200 percent of FPL.
- In South Carolina, 77 percent had annual incomes below $20,000.
- In Duval County, FL annual income for these households averaged $12,444.

While states have tried a variety of approaches to working with their child-only cases, there is little or no evidence on the efficacy or outcomes of these policies. Some states have sanctionable requirements that affect child-only cases. These include requirements to provide proof of a child's immunization, documentation of school attendance, cooperation with child support enforcement, and attending school conferences. The specific impacts of these types of 'personal responsibility' policies have not been studied.

The workgroup reviewed policy options that might impact the child-only caseload or cost per case. The workgroup felt that additional study was needed. Practices in other states included:

<u>1) Means-test non-parental caregivers</u>

Nevada means tests its child-only caseload with a threshold of 275 percent FPL. Conservative estimates are that in Washington State a threshold of 100 percent FPL would save $29 million annually; a threshold of 200 percent FPL would save $18 million.

<u>2) Pass-through child support</u>

Child support payments for child-only cases are retained by the state. While no cost estimate is currently available, passing through some or all of this money to caregivers might increase collections sufficiently to encourage some, particularly non-parental caregivers at higher income levels, to leave the caseload.

<u>3) Provide case management services</u>

Many states provide case management and job placement services to child-only caregivers. These services, while not free of cost, might prove to be cost-effective by helping parents and caregivers increase their employment and income levels.

<u>4) Lower grant standard for child-only cases</u>

Many states have a lower grant standard for child-only cases than for cases with an adult recipient. The difference ranges from 11 percent lower to 37 percent lower grants for three-person households. Lowering the child-only grant amount by 25 percent would have saved roughly $24.6 million in FY05.

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stamps receive them, since they have regular contact with financial workers at DSHS.

[3] Probably, in part, due to the wide range in definitions and composition of child-only caseloads between states.

Workgroup Recommendation #10:
Enhance Diversion Cash Assistance

Improve the effectiveness of diversion cash assistance, expanding its use when appropriate. Increase knowledge about the reasons families successfully use diversion to prevent a need for ongoing WorkFirst grant funding and improve recovery tools.

BACKGROUND

The Diversion Cash Assistance (DCA) program is intended to meet one-time, emergent needs of families. The program has been successful in assisting the majority of TANF eligible clients in staying off the caseload. With diversion assistance, the family receives a lump-sum payment, not to exceed $1,500 (averaging $1,376 in FY05). The family cannot receive a DCA grant again within 12 months. In an average month in FY05, 494 DCA payments were made. If a client who has received a diversion payment applies for TANF within 12 months, their DCA payment must be repaid. However, the collection mechanisms are such that for a DCA grant of $1,246, it would take 23 months of TANF receipt to recover the entire amount, and recovery efforts are not consistent across the state.

RESEARCH

Twenty-eight states have some form of diversion program, although they vary widely. Because of the mix of policies, and the prevalence of informal diversion policies (such as Washington's efforts to encourage alternative assistance sources), cross-state comparisons are difficult.

The few studies available, however, have found that:

Of diverted Oregonians, 67 percent did not return to TANF in a 19-month follow-up period, but that among those who did, one-third were receiving cash assistance within one to three months. (Acker & Morgen, 2001)

Since 1995, 85 percent of diverted customers in Virginia and 75 percent in Utah had not reapplied for cash assistance as of February 1998. (Johnson & Meckstroth, 1998)

Internal analysis of the Washington State DCA caseload has found that only 25 percent to 30 percent of DCA recipients receive TANF within 12 months, and most of these (15 %) are within six months.

A 2000 survey of Washington DCA clients showed that the most commonly cited reasons for receiving TANF were "earnings too low" (22%), "I was laid off" (15%), loss of other income or child support (15%), and health problems (11%).

Among July 2004 DCA adults who returned within 12 months:

- Overall 22 percent went on TANF within one year
- More likely to be female (25% returned versus 15% of males returned)
- More likely to be black or Asian/Pacific Islander (38% and 33%)
- Less likely to be married (15%) and more likely to be divorced (30%)
- DCA returners had higher numbers of children (3 to 4) in the household, and
- Education and age patterns were similar for DCA returners versus non-returners.

The state of Maryland studied its diversion program in great depth. The program consists of either a lump-sum payment (followed by a number of months of ineligibility for TANF) or rapid employment services. The research found positive employment and earnings outcomes for families with both types of assistance, and low levels of ensuing TANF use.

There is every indication that diversion programs may be effective at meeting families' emergent needs and in preventing TANF dependence.

Workgroup Recommendation #11: Improve child support collections

Increase child support income and consistency of payments for families whose income levels would otherwise put them at risk of not being self-sufficient.

The workgroup identified several strategies to improve both child support collections and child support policies:

a) Develop strategies to more effectively address non-custodial parents who are not currently making payments.

b) Apply successful practices consistently statewide.

c) Work with county prosecuting attorneys and local courts to improve child support participation rates and develop strategies to manage child support payment arrears. Explore strategies that emphasize the regularity of child support payments while recognizing other legal obligations that parents may have.

d) Recommend that the Legislature review the child support schedule workgroup recommendations.

e) Evaluate obtaining a child support pass-through waiver, in part to increase the regularity of payments, a key component of self-sufficiency.

BACKGROUND

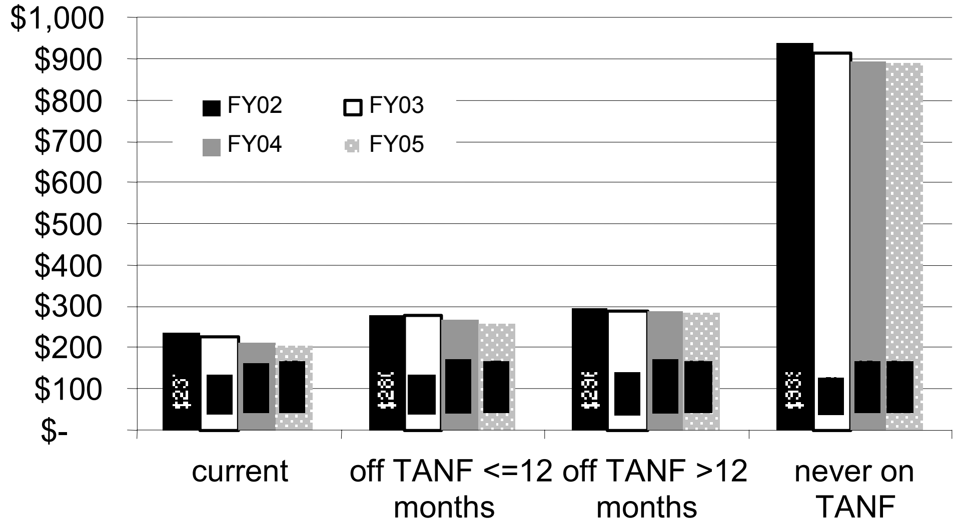
Child support enforcement officers (SEOs) currently face conflicting priorities. State performance agreements require collection activities to focus on low-income families. Federal requirements stress maximizing overall collections, which lead to a focus on higher-dollar cases. Policy or procedural changes that shift resources toward lower-income TANF cases might have an impact on federal performance incentive dollars.

Child support collections are the second largest factor contributing to family independence from TANF, following work. Among current and recent TANF recipients, roughly 73 percent have support orders established, and among those, roughly 31 percent have support collected in a given month. These support collections averaged $205 per month in FY05.

Collection rates have declined for current and recent TANF recipients, while remaining flat or even increasing slightly for higher-income families (those never on TANF or off for more than a year). The share of total support that comes from current and post-TANF families has also fallen over time.

Collections for all categories of families have been declining in recent years:

Figure 6: Average support collected



RESEARCH

One of the strongest factors affecting child support collection rates is whether the child was born in or outside of a marriage; formerly married parents are more likely to pay support. It is important to note the share of Washington's TANF caseload that has never been married has risen over time, from 35 percent in 1999 to over 50 percent in 2005.

For women who receive it, child support represents up to 25 percent of all income for current and former welfare clients.

According to Survey of Income and Program Participation (SIPP) data, 22 percent of current and former clients received a payment in the prior month, similar to Washington State's rates (74% order establishment x 31% collection rate = 23%).

Payments are not consistent month to month. SIPP data indicates an average of 18.5 payments over the course of 48 months.

Nationally, order establishment and collection rates have been increasing over recent years.

Mothers are more likely to receive support if they have more education, are white, and are not subsequently married.

For children born out of wedlock, 43 percent of those without support orders saw their fathers at least once a year. Among children born to a marriage, however, the rate rose to 58 percent. Additionally, 91 percent of children born in a marriage and now having child support collected saw their fathers, compared to 79 percent of those born outside marriage.

Research findings indicate that the three most common child support collection tools—tax intercepts, $50 pass-throughs, and presumptive guidelines—have strong significant impact on collection rates.

As of July 2003, 23 states passed through (or otherwise transferred) at least $50 of child support collected to parents, with three states transferring all support collections to the parent. One peripheral benefit of increased child support collection is that children for whom support is collected tend to see their non-custodial parent more.

Workgroup Recommendation #12: Pursue Food Stamp Employment and Training funding

Continue to pursue the use of Food Stamp Employment and Training federal dollars to help offset educational costs for non-TANF individuals currently provided with TANF dollars.

BACKGROUND

Food Stamp Employment and Training (FSET) 50/50 match funding is a potential funding source for specific programs and services for non-TANF recipients that are currently funded from the TANF "box." These services include post-TANF services and community college education and training for low-income adults. DSHS has amended the state's Food Stamp plan to allow an FSET pilot project in King County that will start in October 2005. This project will include five community-based organizations, a county work training program and South Seattle Community College. The WorkFirst partners, led by the State Board for Community and Technical Colleges, are examining the feasibility of developing a statewide approach for FSET community college funding.

The workgroup assessed whether there were sufficient data to recommend use of FSET dollars to help close the 2006-07 TANF funding gap. Based on recommendations of the partner agencies, the workgroup chose not to include FSET as a revenue source at this time until potential risks could be mitigated.

ENHANCE REVENUES

The workgroup spent considerable effort evaluating the potential for additional revenues. While there is a future potential for enhanced revenues, the workgroup recommended that additional revenue from federal bonus or child care development funds not be considered until after the TANF reauthorization, which was recently deferred until late in 2005.

The workgroup recommended that proposed reductions in services be revisited if additional federal funds become available. The workgroup also felt that some additional revenue might be available through increased child support collections, and that DSHS should continue to pursue enhancing collections.

Focus Area II
Move Lowest Income Parents Toward Economic Independence

Workgroup Recommendation #1:
Prioritize Working Connections Child Care subsidies

Reduce the eligibility for subsidized child care from 200 percent to 175 percent of the Federal Poverty Level (FPL).

BACKGROUND

The Working Connections Child Care (WCCC) program serves an average of 36,760 families a month. In 2004, around 23 percent of WCCC cases were classified as a TANF case; however, around 42 percent of WCCC cases had income levels below 83 percent of the FPL. This indicates that many families use child care subsidies and, despite being income eligible for TANF, have chosen not to receive that benefit. This includes families who are receiving TANF and are enrolled in approved WorkFirst activities, as well as non-TANF families who are working or combining work and school. Child care subsidies ($251.9 million) and child care quality ($24.3 million) represent 33.4 percent of the existing Temporary Assistance for Needy Families (TANF) 2006 spending plan, second only to TANF grant payments ($284.9 million).

Subsidized child care allows families in need to access healthy, safe, and developmentally appropriate care that may not otherwise be available to them.

Previous adjustments to the eligibility income limit and/or co-payment structure were made in response to budgetary issues in 2000, 2002, and 2003.

RESEARCH

Studies have shown that child care assistance can make a significant difference in a family's ability to maintain attachment to the labor force and stay off TANF.

Single mothers receiving assistance in paying for child care are 40 percent more likely to remain employed after two years.

Former welfare recipients are 82 percent more likely to be employed after two years if they receive child care assistance.

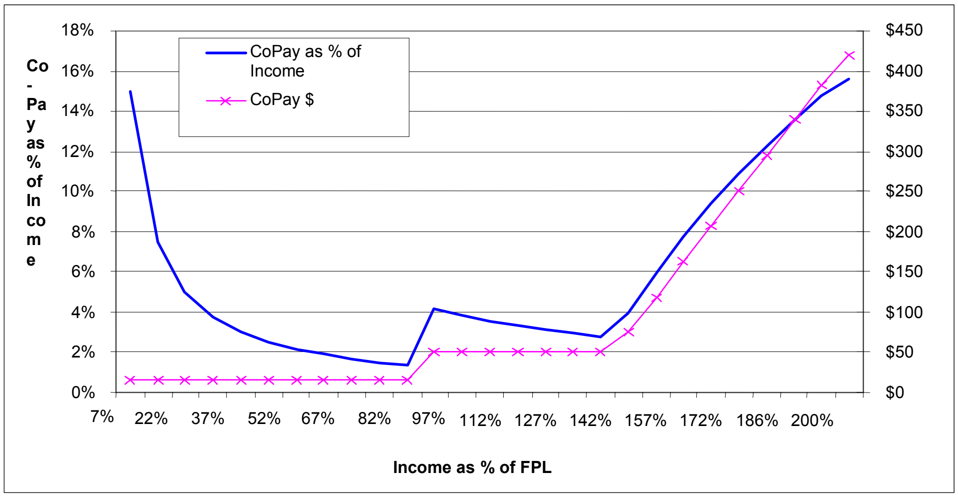
Those who were receiving child care assistance within three months of the time they left welfare were less likely to return to welfare.

More than three-quarters of WCCC families have incomes below 140 percent of the federal poverty level. Approximately six percent have incomes above 170 percent of FPL. In September 2004 there were about 2,800 families with incomes above 170 percent of FPL and they received approximately $1.1 million in WCCC subsidies (roughly $13.7 million per year). (Figures 7 and 8)

Figure 7: Child care parent income

Families with Incomes:	Percent of Expenditures	# of Families
Up to 82% FPL	42%	15,500
83 - 140% FPL	35%	12,400
141 - 170% FPL	16%	6,200
171 - 200% FPL	6%	2,800

Figure 8: WCCC co-payment as a percentage of income



CO-PAYMENT AMOUNTS AND IMPACT ON PROVIDERS

Per the *Licensed Child Care in Washington State: 2004 Report*, providers report almost always collecting co-payments from parents receiving a child care subsidy. The market survey asked providers who provide subsidized care how frequently they collect co-payments.

They had a choice of five answers:

- Always
- Usually
- Collect about half the time
- Sometimes
- Never or almost never

Over 90 percent of centers and nearly 89 percent of family homes reported they collect co-payments always or usually. Only four percent of centers and eight percent of family homes reported they collect co-payments less than half the time or sometimes.

The workgroup examined several options related to co-payment increases, but recommended no change to co-payments. Focusing on the lowest income families, the workgroup recommended reducing the eligibility level for child care to 175 percent of Federal Poverty Level.

Figure 9: Estimates of various co-payment increases

	Up to 82% FPL	82 – 137.5% FPL	137.5% - 200% FPL	Estimated Cost Savings
Current Co-pay Amount	*$15*	*$50*	*$51 - $418*	
If the co-pay increased by $__ in each group, what would be the total impact?	$ 5	$ 5	$ 5	$5.5m
	$ 10	$ 10	$ 10	$12.9m
	$ 15	$ 15	$ 15	$20.7m
	$ 0	$ 5	$ 5	$4.6m
	$ 0	$ 10	$ 10	$9.1m

RANGE OF ELIGIBILITY LEVELS IN OTHER STATES

Among states in 2004, the median income eligibility level for child care subsidies was 185 percent of FPL. Twenty-four states had waiting lists. There are 16 states that have eligibility cut-offs for child care subsidies that are equal to or higher than Washington. Among those states, seven have waiting lists. Sixteen states have income cut-offs at or below 150 percent FPL. Alaska had the highest cut-off ($46,248 or 295 percent of FPL), while Missouri had the lowest ($17,784 or 113 percent FPL). Note that this comparison to the federal poverty level does not account for variations in the cost-of-living in different states or the presence of child care waiting lists.

RISKS OR UNINTENDED CONSEQUENCES

- Decreased support to low-income families
- Loss of child care subsidies may decrease attachment to labor force and destabilize transition to self-sufficiency
- Families may use more unregulated care for children including leaving children unattended
- Provides greater incentive to keep income below eligibility threshold

Focus Area III
Streamline Administrative Processes to More Efficiently Handle Caseload

Workgroup Recommendation #1:
Reduce DSHS expenditures

1. Reduce DSHS's TANF staffing to reflect the gain in efficiency resulting from improvements in the assessment process and quicker, more robust engagement of clients in activities that will lead to self-sufficiency.
2. Reduce managers and regional support staff.
3. Reduce administrative overhead charged to the TANF program.
4. Automate or adjust administrative procedures for vendor payments, service authorizations, and client referrals to reduce the staff time needed.
5. Consider statewide consolidation of regional document management systems for additional staff savings.

BACKGROUND

DSHS has the greatest number of WorkFirst staff. For State fiscal year (SFY) 2005, there were 1,072 full-time equivalent (FTE) staff working in DSHS associated with the $85 million expenditure for staffing (average cost per FTE = $79,291, which includes salaries, benefits, lease costs, etc.). Funds for direct staff (and related costs) and the indirect overhead allocation represent approximately 12.4 percent of the annual Temporary Assistance for Needy Families (TANF) budget. The majority of these staff are located in DSHS's Community Services Offices (CSOs) and provide direct services to WorkFirst families. There were three primary categories of direct services staff and the approximate number of FTE in this category in SFY 2005:

- Financial Service Specialists (FSS) – determine and maintain eligibility for TANF (396 FTE).
- WorkFirst Program Specialists (WPS) – provide case management (130 FTE).
- Social Workers (SW) – serve special populations such as hard to engage, sanction, pregnant women, LEP, family violence, substance abuse, mental health and teen parents (119 FTE).

The other major categories of staffing included clerical and customer service specialists (88 FTE), regional and Community Services Office (CSO) administration and support staff (70 FTE), and call center staff (104 FTE). A small number of other regional and local staff are at least partially funded by TANF, such as CSO administrators (CSOA), deputy CSOAs, clerical support and program managers. In addition to CSO staff, there are program staff in the state office, primarily in the Division of Employment and Assistance Programs (DEAP), who are funded by TANF.

Staff resources that are allocated via the DSHS indirect cost plan (such as a portion of the DSHS budget office, communications, Secretary's office, etc.) are identified as part of the DSHS overhead line item on the WorkFirst spending plan ($15 million/year).

The average caseload per case-carrying worker is 110. Below is a history of FTE, salary and other staffing costs for DSHS from SFY 2001 to SFY 2005.

Figure 10: DSHS Economic Services TANF staffing expenditures (in millions)

	FY 01	FY 02	FY 03	FY 04	FY 05
FTE	1,115	1,223	1,168	1,148	1,072
Expenditure	$73.4	$84.3	$81.9	$86.3	$85.0
Average cost per FTE	$65,803	$68,896	$70,108	$75,189	$79,291
Note: The expenditure line is made up of salary and benefit charges, building leases, supplies, travel, equipment, and computer systems.					

At the start of WorkFirst, the Financial Service Specialists determined and maintained financial eligibility and provided case management. Several years ago, the WorkFirst Program Specialist position was established. At that time, the case management and eligibility functions were to be split between the case manager and the financial worker. However, because of caseload/staffing and other issues, this split did not occur in all areas. Currently, CSOs deploy staff and assign WorkFirst duties in a variety of different ways based on office size, workload priorities, staffing levels, experience and expertise of individual staff and for other management reasons.

In addition to DSHS staff, the Employment Security Department (ESD) also has state staff that perform WorkFirst activities. As a result of Governor Gregoire's decision to cut $20 million out of WorkFirst job search services for this biennium, the Employment Security Department (ESD) has consolidated WorkFirst job search services into the WorkSource delivery system.

As of July 1, 2005, ESD reduced WorkFirst staffing (counselors and program staff) and moved job search from CSOs to WorkSource sites in all but a few locations. (Note: approximately 104 FTEs were reduced from the ESD's WorkFirst programs, a staffing cut of approximately one-third.) As a result of these cuts, ESD has redesigned and refocused its services for TANF parents.

The goals of the redesign were to:

- Create a more effective employment system for TANF parents
- Consolidate WorkFirst employment services into WorkSource to improve quality and access
- Increase the focus on meeting employer needs for qualified employees, and
- Better align local area planning for employment services with the current workforce development planning process.

RESEARCH

An optimal number of staff is correlated to the way in which work is organized and the number of new and continuing clients. Process improvement strategies that result in quicker referral to job search and sooner achievement of self-sufficiency will lessen the need for staff in some areas.

Focus Area IV
Prioritize Contracted Services that Support the Principles of the TANF Program

Workgroup recommendation #1:
Prioritize Contracted Services

1. Modify referrals to the Community Jobs program so that only those clients least likely to succeed in attaining unsubsidized employment participate. Identify program improvements and efficiencies to reduce program costs.
2. Reduce Community & Technical College funding by enhancing efficiency and training selected students for longer periods than the 22-week maximum previously applied, thus enabling use of Pell Grants and state community college FTE dollars. Give TANF parents priority for education and training activities subsidized by TANF funds. Identify program improvements and efficiencies to reduce program costs.
3. Maintain FY 2005 spending for child care contracts in FY 2006 and FY 2007.
4. Reduce local contracts and support services budgets.
5. Use protective payees where necessary in sanction cases, rather than requiring them in all instances.
6. Engage in discussions with tribal leaders on growth in state spending on Tribal TANF. Review performance requirements for state maintenance of effort (MOE) funds. (Note: This issue was deferred by the workgroup.)

BACKGROUND

The workgroup made recommendations for reductions to other areas in the TANF budget to maintain the program within expected revenues. These reductions are essentially budget reductions made based on prioritizing contracted services, not because these programs and services have excess funding. In most cases, the number of individuals served will likely be reduced and/or service delivery time reduced.

Community Jobs (CJ)

BACKGROUND

Community Jobs (CJ) is a program that combines work experience with activities to minimize the impact of barriers to employment. Typically the participants work on issues or attend treatment for part of the day, and work at a public or non-profit jobsite the remainder of the day. CJ was intended to be used for families who have been unsuccessful at getting a job, or going to training and getting a job, and who have multiple barriers that have prevented them from succeeding in getting a job and working.

The Department of Community, Trade, and Economic Development (CTED) issues statewide contracts with community-based organizations to provide the CJ program. CJ provides subsidized community-based work and skill-building experience to Temporary Assistance for Needy Families (TANF) parents encountering barriers to employment. Parents work 20 hours per week and are paid Washington State's hourly minimum wage and are eligible for the Earned Income Tax Credit (EITC). Host work sites are in nonprofit organizations, educational institutions, private entities, and local, state, federal, or tribal governments. Wages and benefits are paid entirely through state TANF funds. In FY05, roughly 2,119 clients enrolled in CJ.

Community Jobs performance is measured by counting client placements in unsubsidized employment in the quarter of enrollment in any of the three following quarters. Over the most recent four quarters for which data is available, an average of 50.2 percent of clients met this goal. There appears to be significant variation in performance, however, as 12 community services offices (CSOs) saw more than two-thirds of their CJ clients placed in recent quarters.

RESEARCH

Early national studies of transitional jobs programs, including Community Jobs, were very promising. While retention in the programs was consistently challenging, those that remained in the programs for their duration saw placement rates as high as 90 percent. Anecdotal reports from providers and clients saw strong positive impacts for parents.

However, in part because of the relatively small size of these programs, rigorous data has yet to consistently support these high hopes. The WorkFirst Longitudinal Study examined employment and earnings outcomes for the Community Jobs program. As summarized by the Washington State Institute for Public Policy,

> *"While there was some early evidence [based on the experiences of 26 participants that were in the program from 3/99 to 12/99] that Community Jobs participants enjoyed significantly higher employment rates and earnings, subsequent analyses of the program fail to support those initial findings. Other reports attributing employment and earnings gains to participation in Community Jobs do not effectively measure the net impact of the program. At this time, no conclusive evidence exists about the effect of Community Jobs on participant outcomes."*

Overall, research findings have neither supported nor denied the efficacy of these programs, although support for them in the research and advocacy communities remains high.

WORKFIRST REEXAMINATION WORKGROUP: MINORITY REPORT

By Liz Schott
September 19, 2005

I commend the workgroup as well as the state agency and OFM staff who worked diligently in a compressed time-frame to complete the recommendations and report. I cannot agree, however, with several of the recommendations. Specifically, I do not support the recommendations that Washington state should impose a full-family sanction on TANF recipients who fail to comply with work activities and that there be a harder five-year time limit. I believe that the state should maintain a safety net for children in these households.

In addition, I do not support the recommendation that subsidized child care eligibility be eliminated for low-income working families with incomes between 175 percent and 200 percent of the federal poverty level. In conjunction with this last recommendation, I do not accept that reductions should be made in these programs without also considering whether additional funding should be provided, or whether some of the funds spent from the TANF box on programs other than WorkFirst should instead come from other places in the state budget.

I address each of these points separately below.

1. Full-family sanction

The workgroup has recommended that DSHS impose a full-family sanction on TANF households after six months of non-participation by the parent. Since this sanction would terminate all benefits to the children, I believe that it undermines the WorkFirst principle of maintaining a safety net for children.

Research consistently indicates that families that leave TANF due to full-family sanctions are those with the least education and work experience and that face the greatest barriers to work. Moreover, families that leave TANF due to full-family sanctions fare worse than other TANF leavers – they experience greater hardships, are less likely to become employed, and when employed, earn lower wages.

The workgroup report discussion correctly points out the dual aspect of full-family sanctions in TANF (see page 18). When full-family sanctions are primarily a tool to achieve compliance with work requirements, there are fewer case closings due to sanction and less cost savings. When full-family sanctions are primarily a punitive approach to achieving caseload reduction, there may be greater cost-savings due to caseload reduction (at least in the short term and narrow view.)

If full-family sanctions were truly implemented to achieve compliance rather than to reduce caseload, there would be little cost savings; the additional administrative costs and returns to the caseload would offset the savings that would be realized by the (hopefully few) permanent case closings. While some families may eventually exit TANF after compliance with work activities, the research indicates that these families face many barriers and are unlikely to achieve employment and welfare exits at the same rate as the rest of the TANF caseload. A truly successful sanction policy would be one that never resulted in full sanction (and resulted in little cost savings). I do not believe that we can or will achieve that success. The harder we work with families, the more compliance we may be able to achieve, but such efforts could end up as a cost rather than a savings. The staff has based a cost estimate on half of the cases not coming into compliance; I do not believe that we should risk the well-being of the other half, and the children in these most vulnerable families, by subjecting them to total loss of any safety net.

If, instead, full-family sanctions are used punitively and result in significant case closings, there may be a savings to the TANF caseload costs, although these families are likely to return to TANF, so even this savings is limited. Moreover, discarding the most vulnerable families and their children outside of the meager safety net that TANF cash assistance provides will result in other costs to the state and local governments in other places and at other times. These might be increased foster care placements, homelessness, poor outcomes for health and education, etc. While we have been instructed as a workgroup that we cannot just shift costs to outside of the TANF box, any cost savings achieved by case closures due to full-family sanctions does exactly that by shifting the needs of these households to potentially more expensive costs outside of the TANF cash assistance system.

Finally, I believe that the research on the disproportionate use of full-family sanctions against people of color, particularly African-Americans, cautions against adopting an approach so prone to unequal racial impacts. Numerous studies and analyses have found that full-family sanction policies fall hardest on African-American families. While earnings typically outpace sanctions as a reason for leaving TANF for white families, the reverse is true for African-American families. Analyses of sanctions in Wisconsin's W-2 program from October 2001 to March 2002 found that statewide 42 percent of all African-American participants and 45 percent of all Hispanic participants were sanctioned, while only 24 percent of white participants were sanctioned. Another study of full-family sanction policies in three states (South Carolina, Illinois and New Jersey) concluded that African-Americans were more likely to be sanctioned than other racial and ethnic groups. The undisputed disparate racial impact of sanctions provides an additional and compelling reason why full-family sanctions with no safety net for the children should not be elected by this state.

2. Harder five-year time limit

Washington State uses the flexibility provided under the federal welfare law around time limits in two ways. First, it continues a full grant to some families when the time limit is reached if they fall into a category that is exempt from the application of time limits or meet the criteria for extending full benefits when a time limit is reached. For example, if a parent has "played by the rules" and participated in work-related activities but is still in need when the 60-month time limit is reached, the family can continue to receive full benefits beyond 60 months. If a family does not meet the criteria for an exemption or exception, Washington State provides a reduced safety net assistance benefit for the well-being of the children. It is important, when discussing changes in time limit policy, to note both prongs of the policy – extending full benefits to some families and providing reduced safety net benefits to the children in other families. It is also important to consider the interaction between time limit policies and full-family sanctions. If Washington State implements a full-family sanction, all families reaching the time limit will be participating in work-related activities (or considered exempt); otherwise, the case would have already been closed due to a full-family sanction.

While the workgroup recommendation is somewhat unclear and contradictory, it appears to limit both prongs. It would narrow the circumstances under which families that are "playing by the rules" could continue to receive full benefits. It is not clear if it also would eliminate the safety net benefit for children when the time limit is reached and no other basis for an extension is met. I could support some narrowing and tweaking of time limit extension policies. Indeed, I support a modification to extend benefits (or stop the time limit clock) for periods when the adult is employed. I cannot support, however, a recommendation that would provide a reduced benefit (or no benefit at all) to a family that has done all that it can to become employed and is still in need of assistance. While the recommendation is ambiguous, I cannot support a policy that would wholly eliminate the safety net for children. Since I believe such outcomes would result from the workgroup's recommendation on time limits, I cannot support it.

3. Child care for low-income working families

The workgroup is recommending that eligibility for Working Connections Child Care be eliminated for families with incomes between 175 and 200 percent of the federal poverty level. I agree that, if reductions must be made, they should come from families at the higher end of the income scale rather than the poorest families. I also agree that if child care funding must be cut, it is best to cut eligibility rather than reducing reimbursement rates or increasing co-payments. However, as discussed more fully below, I believe the state should consider adding funds, or freeing up funds within the TANF box that are used outside of the WorkFirst program, before it reduces eligibility for child care subsidies that low-wage workers need in order to retain employment.

Working Connections Child Care is one of the great successes of the federal and state welfare reform initiatives. The flexibility of the federal block grant and the state TANF box has allowed Washington to increase spending on child care for low-wage workers as it has decreased spending on cash assistance. Child care costs are perhaps the most important work support that the state can provide. Without a subsidy, parents with incomes even at twice the poverty level face child care costs that can make it difficult to make ends meet. Even with a subsidy, parents with incomes between 175 percent and 200 percent of the federal poverty level are paying between 10 and 15 percent of their income simply for a co-payment which can be $300-$400 per month. As it is, these families face a steep "cliff" when their eligibility for the subsidy ends and they must meet the full cost of child care. By lowering eligibility cut-offs for WCCC, Washington State would move this steep cliff forward so it would be encountered by families with less income and less capacity to meet the full costs of child care. In some instances, a worker may not be able to continue working and would need assistance from the cash TANF program. In other instances, children might be left in substandard care, or left on their own at too young an age. I suggest that instead Washington State should add the funds needed to continue providing child care to low-income working families.

4. The fiscal demands on the TANF box

There has been much talk of the WorkFirst program costs and TANF box being "unsustainable." Instead, perhaps the premise of a fixed sum of money (unchanged for a decade) covering all of the programs under the TANF box should be revisited, particularly in light of the significant funding drained away from the state's TANF box expenditures (both on a one-time and ongoing basis) and the additional burdens that have been added to the TANF box since its creation in 1997. But for the fiscal relief that the state has taken at the expense of the TANF box, we might not be facing a shortfall at this time and might never have made the many reductions and cuts that have already occurred over the past five years.

The three main funding streams into the TANF box are federal TANF block grant funds, federal child care funds, and state maintenance-of-effort dollars. The 1996 welfare law gave the states a fixed block grant (which has not changed since 1996) based on historic federal share of welfare spending. Washington State's federal TANF portion is about $400 million each year. States must also spend 80 percent or, in some instances 75 percent, of their historic welfare spending. The state's commitment to these programs has been reduced as the state lowered contribution from 100 percent to 80 percent and then to 75 percent of historic state spending. In addition, child care development funding also is input into the TANF box; only the child care funding has increased since 1997 due to increased state child care spending (but that too has reached a lid).

In the early years after the passage of the 1996 welfare bill, nearly all states found themselves with surplus federal TANF funds as caseloads dropped more rapidly than other programs got off the ground. States were able to carry over funding to future years and also were able to use TANF and MOE dollars to fund new and expanded programs items that previously had been covered by other funds in the state budget. Washington State was no exception and it realized state fiscal relief from TANF and MOE funds in several ways.

- Washington spends less than its historic state spending for these programs, reducing its share first to 80 percent and then to 75 percent of the amount it had previously spent. This represents a withdrawal of hundreds of millions of dollars of state funds from these programs over the last decade.
- Washington State spent $300 million in accumulated TANF funds in 1999-2000. This expenditure had several consequences. One is that it allowed Washington State to spend money on some programs that it has since been forced to cut back or discontinue. It also depleted TANF savings that might have been used to stave off cuts that occurred in subsequent years.
- Programs previously not included in the TANF box were added to the TANF box over the years, but particularly at the time of the spending of the $300 million in surplus TANF funds. Since the state still needs to meet an annual state MOE requirement, the state scoured the state budget to find expenditures that had previously not been charged to MOE funding (and thus the TANF box). These charges for state-funded programs that were added to the TANF box have remained a part of the TANF box each year since then, totaling hundreds of millions of additional dollars charged to the box.

Many of the funding burdens added to the TANF box over the last eight years are for programs that are reasonably related to TANF expenditures such as the General Assistance - First 2 Trimesters Pregnant Women with No Children (GA-S) and General Assistance - Guardianship Children (GA-H) programs for pregnant women and children living with guardians or food assistance for legal immigrants. Nonetheless, they still represent a burden added to the TANF box that freed up the state funds that had previously been used for each program. In other words, the funding did not follow the program but was freed up for state fiscal relief.

In addition, the state has drawn from the TANF box for other significant expenses. It currently takes $38 million a year (and has taken a total of over $300 million over the years) from the TANF box for Children's Administration funding. The state has continued to use the TANF box as a cash cow when it needs to provide additional funding for many social services, such as its charging homeless children's lawsuit remedies to the TANF box.

In light of the diminished state input into the TANF box (reduced MOE), the use of significant amounts of TANF funds for programs outside of the purview of WorkFirst, and the adding of additional funding burdens to the TANF box over the years, I find the charge that the TANF box is unsustainable to be unreasonable. This is not to say that the state should not be spending the $38 million on Children's Administration or that other expenditures are unreasonable, but it is not fair to expect the fixed box to absorb all of the additional burden and draining that has occurred. Instead, the state budget, which has gotten (by my estimate) over a billion dollars of relief from the TANF box, is the appropriate source for some of these non-WorkFirst expenditures.

In addition, we must recognize that federal contributions to the TANF box have decreased by over one-third in real dollars under the flat TANF block grant since 1996. State contributions have similarly decreased in actual and real dollars. One result is that many payments from the TANF box represent a decline in real dollars. Child care provider reimbursement rates have declined relative to the market. While Washington State used to provide child care reimbursement at rates that were at the 75^{th} percentile of market rates, the state rates now only meet the 34^{th} percentile, despite recent additional funding to increase provider rates. TANF cash assistance grants, which have been flat for over a decade, represent only one-third of the standard of need this state sets to meet basic expenses. When this standard of need was instituted over 20 years ago, Washington State paid welfare benefits that represented two-thirds of the need standard.

It is important to distinguish between the flexibility that the TANF box gives the Governor and SubCabinet in shifting funds and the straitjacket that the fixed funding brings to the full scope of programs covered through the TANF box. I believe that the state can have it both ways – maintain flexibility while adding funding. I would agree that it is "unsustainable" to expect this fixed (and therefore declining in real dollars) amount of funds to cover all the needs that have been heaped upon it over the years. We as a state need to invest the appropriate dollars into child care for low-wage workers, or funding Children's Administration costs directly, or whatever, rather than reducing services and benefits to the neediest and most vulnerable persons in our community.

APPENDICES

Appendix A

Washington State WorkFirst Principles
(Established in 1997)

1. Work is better than welfare. Work provides the best opportunity for families to raise their income and leave poverty. Those who work always have more income than if they receive only welfare.
2. Parents have the primary responsibility for supporting their children. Parents and the state share responsibility for helping families leave welfare. Parents are responsible for moving quickly into jobs. The state is responsible for helping parents find and keep a job, and for collecting child support.
3. WorkFirst participants who can work will immediately participate in job search or employment.
4. Support is available to help parents become and stay employed, for example health care insurance and child care that parents can access and afford.
5. Help is available to low-income working families to lift them out of poverty and reduce their chances of going back on welfare. The state will offer education, job training and job-match services as routes to advance to better jobs.
6. WorkFirst participants who are unable to find work during job search will immediately participate in activities designed to help them become employable.
7. Those who won't participate in required job search or work-preparation activities will be sanctioned.
8. Legal immigrants are eligible for benefits at the same level as other residents of Washington State.
9. The four state agencies that share responsibility for WorkFirst will work with employers and other local partners to move families into self-supporting work.
10. The WorkFirst program will continue to change and improve through lessons learned and creative thinking.

Appendix B

Union-Sponsored Focus Group
Washington State Federation of State Employees
Highline Community College
August 16, 2005

At the request of the Washington Federation of State Employees, a meeting was held to solicit ideas and suggestions about the WorkFirst program. Staff from the Department of Social and Health Services (11), the Employment Security Department (7) and two representatives from the Washington State Federation of State Employees met with two OFM WorkFirst representatives to identify program improvements and potential areas for savings. The following notes reflect the discussion with staff.

What Works

- Co-location between DSHS & ESD – staff are able to walk down the hall or across the parking lot; closer communication through co-location
- Concerns about separating WorkFirst from ESD job-finding services
  - Staff are not able to specialize in serving WorkFirst clients
  - WorkFirst clients are different than other job-seekers. Many need soft skills and more hand-holding
  - Two-hour schedule isn't enough – Clients don't fit into Job Hunter; the WorkFirst workshop is better for this population
  - Duplicate entries in technology
  - ESD can find out about barriers that DSHS can't
  - Need to have close relationship and proximity for best teamwork
- WorkFirst should focus on retention
  - Mt. Vernon STEPS (Steps to Economic and Personal Success) project (funded this year through a CTED Bridge grant)
  - Limited English Proficiency (LEP) – Need to focus on language acquisition
- Need to connect with housing authorities

What Doesn't Work

- Conflicting goals / measures among partners
- Counting Pregnancy-to-Employment (PtE) as a part-time component
- Shoving people to job search before they're ready
- Performance is not consistent among regions, but still need local flexibility at offices and Local Planning Areas (LPAs)
- Too much data entry and too many automated systems
- Need to look at performance and goals – focus on family. Need to focus on needs.
- Need to have better interface with Unemployment Insurance (UI) (every quarter instead of just at application)
- Need a model of consistent understanding of the program
- Need to look at people quitting their jobs

- Need urinalysis (UA) tests
- Child care subsidy is too liberal for those in job search; people aren't really looking for work 40 – or even 32 -- hours per week
- Child care fraud is rampant
- Why isn't child care available for those on UI? Many stay on TANF just to keep child care.
- Staffing doesn't match workload. (CSOs are only able to hire at 95 percent of allocation)

Suggestions for Cost Savings

- Eliminate "middleman" (CTED, C&TC) and let DSHS (headquarters & regional) contract directly
- X components should be referred to the Division of Vocational Rehabilitation (although they have waiting/priority lists & limited funding
- Customized Job Skills Training (CJST) is not effective – too few people are graduating. Short-term & certificate–bearing are more effective. CJSTs need to tie to employer and job like they previously did
- Need to count all income in the household, i.e. SSI, Financial Aid, boyfriend, etc.
- Need to deem undocumented aliens' income; there is a disincentive for citizenship when their income isn't counted
- Need to look at payment points of 3rd party contracts; state employees could do that work
- Community Jobs (CJ) only takes the higher functioning clients (creaming); CJ may be too long. They also do not count 1st month; should tie to an employer

Sanction / Time Limits

- Need a 5-year time limit
- Time limits would spur parents to be more motivated.
- Time limits might cause parents to resolve their issues, drug & alcohol, training, etc.
- Parents get a lot of other services, e.g. subsidized housing, community-based organizations, etc.
- Parents need some consequences. When Section 8 housing is considered, some are better off in sanction than those who participate
- There should not be a Child Safety Net Payment category – terminate instead
- Terminate long-term sanctioned clients for a period of time before they can reapply
- Don't do away with protective payees; landlords like them because the rent gets paid regularly, parents tend to participate because they don't like the idea of their check being managed by someone else
- Do vendor payments for rent and utilities from ACES (Automated Client Eligibility System)
- Need to partner with Children's Administration to ensure children aren't in danger

Appendix C

Public Comments
From iESA website and TANF Feedback email

The following excerpts are taken from comments received through DSHS's iESA intranet site the WorkFirst Website.

Community Services

There were seven comments related to community services. Several of these comments pointed at the lack of access in rural areas to transportation and childcare services, especially for those families who have children with special medical needs. There was also some concern about the availability of Community Jobs (CJ) and Customized Job Skills Training (CJST) in rural areas.

A few contributors suggested that the specific needs of clients could be better served through increasing the availability of services such as life skills or parenting training, and improved testing of cognitive, emotional, vocational, and mental health needs. As one commenter explained, the practice of evaluating clients would lead to a better understanding of the environmental problems that may deter employment outcomes.

General WorkFirst Organization

There were 36 comments related to the general organization and goals of WorkFirst. Several contributors wrote about the crucial role of caseworkers in contributing to their clients' successes. A few individuals suggested separating "true" temporary need clients from those who need long-term assistance. Many of the organizational comments were made as reminders of the WorkFirst mission and priorities, and how to use resources in a way that will best serve the clients:

> "I believe that the majority of TANF household members are what we consider as "welfare population generations and truly hard to serve....The question is this: how can we help these clients to move forward and to be able to move on with their lives and get off TANF program (that's our ultimate goal for them) when we have limited resources and money to work with and less line-staff to work on this TANF program. Not to mention most of our TANF clients have lack of education and lack of work experience, or some have drug felony records and cannot pass a background check for employment by their prospective employers, and many move from house to house or place to place because they don't have stable housing."
> – Puyallup CSO 7/25/2005

There were suggestions about different budget options for TANF, including dividing the budget by the total number of clients: "TANF monthly amount would increase or decrease by the number of families on TANF for any given year or biennium. A work incentive would be to leave the current TANF standard in place but issue an adjusted grant based on a projected budget" (Yakima CSO)

Others suggested treating TANF like a job, with vacation and sick leave:

> I propose DSHS "pays" each WorkFirst participant an hourly wage based upon the TANF grant standard for their household size. In this manner, the participant is really choosing their level of participation based upon how much benefit they want to receive but the way we monitor this participation may have to be modified slightly. We could allow one day of "sick leave" provided they call in like any other "employee." If they don't call in, then it would be "leave without pay." I believe in this way, ESD and DSHS will be able to retrain client's view of working and how to manage their lives around employment (iESA comment 8/4/2005).

Housing

There were two comments related to housing. The main point in these comments was that special effort should be put forth in providing safe, secure housing in the vicinity of job opportunities, so clients can focus on finding a job and supporting their families. As one contributor pointed out, "children of our clients tend to do better in school and are more likely to stay in school and graduate when they have stable housing" (iESA comment 7/27/2005).

Job Search / Skills Training / Education

There were eight comments related to job search, skills training, or education issues. While some contributors felt the primary goal of WorkFirst should be to help their clients gain employment ("Perhaps the goal should be for clients to get a job, any job, as quickly as possible." – Tacoma DCS 7/21/2005), others felt that job skills training and education were vital in helping clients provide long-term support for their families: "A client without a HS diploma/GED will not be able to attain employment that will lead to self sufficiency in today's economy and clients that suffer from learning disabilities will find gaining employment difficult and MAINTAINING employment even more difficult." The question then arose as to how much education, and to what level, should clients be supported in attaining while receiving TANF?

Kinship Care

There were three comments related to Kinship Care, two of which were from kinship care providers. Kinship caregivers related that they would not have been able to keep their families together without support from TANF, even while working full-time. A third contributor suggested providing "supplied shelter" grants to non-needy kinship providers, as it was their belief that "the cash is secondary to the need for medical and childcare coverage" – CSO.

Substance Abuse

There were five comments specifically related to substance abuse amongst TANF clients. A couple of contributors suggested mandatory urinary analysis testing (UA's) for all clients, citing the common practice of many employers in requiring drug testing for employment qualification. The majority of comments, however, were opposed to this suggestion, based on ethical and legal arguments, including an opinion from the Attorney General's office.

Time Limits / Sanctions / Exemptions

There were 32 comments related to time limits, sanctions, and exemptions. About 40 percent of those who sent comments through the iESA website and the TANF Feedback email strongly supported enforcing a 5-year time limit. Four contributors felt that five years was too long, "with the exception of those who have major medical issues or have to take care of someone with same" (Auburn CSO 7/21/2005).

Several contributors thought WorkFirst should look at how grant money is allotted for families who have more children while receiving TANF, and more specifically, to "stop increasing cash assistance if a parent becomes a parent again on TANF" (iESA 7/21/2005). Another suggested WorkFirst "stop exempting women who are pregnant. Reality is, (unless of course you are having complications with a pregnancy) that pregnancy is not a disability" (Sunnyside CSO 7/21/2005).

Many contributors also felt that the child safety net should be stopped, and full family sanctions should be strengthened, resulting in more TANF grants being terminated as a result of non-participation. Another suggestion was to provide grants based on the level of a client's participation: "a client who has not had any barriers identified should be participating 100 percent, if they are participating 50 percent then they should get one-half a grant" (Federal Way CSO 7/25/2005). One individual suggested that participation be viewed as a requirement for eligibility: "If you don't participate, you and your family are only eligible for food and medical. The Tribes are very successful in this, why can't we be?" (iESA 8/4/2005).

While some contributors felt some exceptions to the 60-month time limit should be made, especially when special medical needs or full and active participation are considered, some felt that there was not enough funding to provide for hardship cases after their allotted time had expired.

Finally, a few contributors suggested looking at how other states provide TANF money. One contributor commented that "North Carolina has had some success with a year break after they have been on assistance 2 years. Only a few came back on for the second 2 years. It would be interesting to know where those people went" (DMS/HIU 7/22/2005).

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